DECISION CONFERENCING PROCEDURE: REVIEW (P.193/97) - REPORT

Presented to the States on 2nd June 1998 by the Policy and Resources Committee

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REPORT

Introduction

Earlier this year the Policy and Resources Committee accepted the following proposition by Senator R.J. Shenton -

> "**in consultation with the Finance and Economics Committee, to review the Decision Conferencing procedure, in order to ensure that the States can debate during the Spring Session the results of that process, and to report back to the States with its recommendations**".

"decision conferencing" can generally be defined as -

> "**a process whereby a group of people who are concerned about some complex issue meet together in a problem solving workshop and create a computer-based model incorporating the different perspectives of the group, in order to develop a shared understanding of the problem and reach consensual agreement on what to do about it**".

From the above definition "decision conferencing" is not a means to an end. It is a problem-solving technique which can be used alongside or in place of other problem-solving techniques such as "brain-storming", "zero-based budgeting", "core budgeting" etc. to assist in making decisions about priorities and budgets. A more detailed description of Decision Conferencing is provided for information in **Appendix 1** of this report.

Background

The need for resource allocation strategy

In the 1980s, the States approved capital projects in principle without reference to whether they could be afforded, and the Finance and Economics Committee decided unilaterally on which projects were included in the budget. The system has often subsequently been described as being based on the "he who shouts loudest" principle. There was no States member participation in decisions about the priority of projects, and it was highly unusual for any "in principle" capital proposal to be refused by the States for the simple reason that cases considered individually always seem reasonable and of the utmost importance.

The principal defects of the system were identified by the Finance and Economics Committee in a report dated 16th March 1987. The Committee stated that although it had reviewed the Public Finances Law in relation to revenue expenditure, no such review of the procedures for the appraisal of capital expenditure had taken place and the same procedures had been in place for many years. The report went on to say -

> " **- The Finance and Economics Committee is expected to comment on individual projects or programmes in order to assist the States in their consideration of 'in principle' propositions but is often not able to comment satisfactorily as -**
>
> **(a) the Committee has no detailed prior knowledge of a proposal;**
>
> **(b) there is insufficient time for a detailed review;**
>
> **(c) in many cases the planning of a project is not particularly advanced".**

The report also goes on to say that when capital requests exceed available funds, the Finance and Economics Committee is obliged to discuss the programme with each committee in order to obtain deferral of schemes. The Committee may, therefore have to review the merits of each project in order to make recommendations as to relative priorities. These recommendations have to be made with no "in-depth" knowledge of each project.

In looking at the background to the introduction and use of Decision Conferencing it is useful to remind members of the efforts of previously constituted States Assemblies to improve the Island's overall "machinery of government" following the publication of the Peat Marwick McLintock ("Peats") report in December 1987. This report identified many areas of weakness including the then Committee and departmental structure, and the lack of central co-ordination and delegation. Furthermore, there was no -

- set of assumptions for the future strategic direction for the Island to follow;

- coherent structure to link policy and resources;

- effective process to allow the States to make informed decisions about priorities.

The following comments made in the "Peats" report relate to States capital financial management -

- "There are significant weaknesses in the current system of financial management. There is no pressure created by shortage of money. There is evidence of poor value for money being obtained in a number of areas. The needs on which existing financial legislation is based are the need to ensure financial propriety, not the needs of modern financial management."

- "Co-ordinated financial planning does not take place. Ideally a financial plan should form part of a corporate plan, giving the financial implications of policy decisions. A policy planning process should be introduced and would expect to see financial planning developed within this process. The five year plans produced by some committees do not provide an adequate basis on which to base financial plans."

- "In the absence of co-ordinated financial planning undue reliance is placed on the budget process which ought to be used to work out the short term consequences of a longer term plan. The consequences of using the budget process without a planning mechanism are that the budget process is lengthened, treasury resources are diverted from other important tasks, and longer term financial implications are neglected."

- "There is little assessment on the relationship between proposed expenditure and policies, output, or what the money is meant to buy and there is no established forum in which to resolve conflicts of spending priorities."

Two important underlying principles were suggested by Peats. Firstly, that the central machinery for co-ordination should not be equated with a cabinet, and secondly that the machinery should be based on good management principles of a centralized responsibility. The consultants concluded a new committee was required to ensure that -

- policies and programmes were co-ordinated;

- resources were allocated in accordance with policy priorities;

- firm and co-ordinated control of public expenditure was exercised.

Following much debate on the "Peats" report, the States in 1989 approved the setting up of a Policy and Resources Committee, its Terms of Reference including the following paragraphs -

(a) to produce, through a process of consultation, and for approval where necessary by the States, a framework of strategic policies and objectives, to which committees would be required to have regard in the formulation of their own policies;

(b) to ensure the overall co-ordination of those policies and objectives and to recommend to the States relative priorities in the use of money and/or manpower resources;

(c) to ensure the effective execution by committees of their respective policies and to review performance against objectives.

Identification of general resource allocation strategy

Since 1991, the Policy and Resources Committee has been steadily working to achieve the above objectives. The Committee accepts that progress has been slow, but it considers that with the present structure of Government in Jersey it can only recommend change and subsequently implement it in an evolutionary way. It certainly cannot impose change. In order to achieve its resource allocation objectives, the Committee has broadly pursued a strategy based on the following factors -

- obtaining States agreement to a general framework of strategic aims and objectives for the future; and

- ensuring each committee uses its existing funds to the maximum advantage in accordance with those aims and objectives by reviewing existing services and reducing or removing those of lower priority to better fund those existing or new services of higher priority; and

- ensuring additional “corporate” funds that become available are used to fund the most strategically important matters, and before those of lesser importance.

How this resource allocation strategy has been applied to capital, revenue, and law drafting since the States first agreed a set of strategic aims and objectives in 1991, is set out in **Appendix 2**.

Discussion

States responsibility and resource committee roles

As identified earlier, the role of the Policy and Resources Committee in the resource allocation process is clearly identified in its Terms of Reference - to recommend and obtain the agreement of the States -

(a) to a set of Island wide aims and objectives to which all committees will have regard;

(b) on how money/manpower should be used so that those matters which have highest priority in relation to the aims and objectives are funded before those of lower priority.

It is appropriate to point out that, as the States originally agreed to both the creation of the Policy and Resources Committee and its Terms of Reference, the States itself must be equally as committed to achieving (a) and (b) above as the Committee. Whilst the Policy and Resources Committee can only recommend matters to the States, and the States quite rightly has the final say on any individual issue, the important consideration is that the States must always ask themselves whether the decision being made is in line with its own policy as enshrined in the resource objectives it has previously and wholeheartedly endorsed.

The distinction also needs to be made between the roles of the Policy and Resources Committee and the Finance and Economics Committee in resource allocation matters. The Policy and Resources Committee is responsible for recommending to the States how best it considers money should be used to meet the strategic wishes of the States, and this includes in which directions money should be channeled. Whilst the Committee has taken this responsibility fully on board in relation to capital expenditure, it has not done so for revenue expenditure - where the Finance and Economics Committee has continued to decide on cash limits and the allocation of additional funds to committees - albeit with regard for the agreed States aims and objectives.

Description of resource allocation procedures

At the present time, two inter-linked but separate processes provide for the implementation of the States resource allocation strategy. The first relates to the identification of overall need and the investigation of options. The second relates to the role of the States in agreeing the final resource programmes. These processes, which have been in place since 1991, can be summarized as follows -

Process 1 - establishing draft programmes

(a) establish what committees want in terms of funding;

(b) investigate all claims to obtain fullest information;

(c) vet claims politically in accordance with agreed policy guidelines - consult;

(d) prioritise vetted claims against States aims and objectives;

(e) examine draft priority list internally and politically - make adjustments if required;

(f) consult widely on draft list of priorities - make adjustments if required;

(g) agree (Finance and Economics Committee) on amount of funds available for distribution;

(h) draw up programme within forecast financial parameters - consult and adjust if necessary;

(i) recommend to the States.

Process 2 - obtaining States approval

(j) lodge the Strategic Report, the proposition to include the draft Revenue, Capital and Law Drafting programmes;

(k) within two to three weeks debate the Strategic Report, including the resource programmes (two days set aside for whole debate) - adjust programmes if necessary;

(l) early December, as part of the Budget debate, agree the final allocation of funds to individual committees, taking into account any successful amendments.

The prioritisation phase

What the above list shows is that the prioritisation process (d), whilst vital to the whole strategy, is only one phase of twelve phases. Decision Conferencing has only been used to assist the prioritisation phase since 1995 for capital expenditure, and since 1996 for revenue expenditure - before this the ranking of projects was undertaken (some say subjectively) by officer working groups set up specifically for that purpose.

If the nature of the outcome of the prioritisation process by Decision Conferencing was to be any different from that produced by any other prioritisation process then there might be some justification to the claim made in the budget debate last year that Decision Conferencing has "**hi-jacked the situation where the House can approve capital projects individually**". The real situation is that the Policy and Resources Committee's recommendations to the States are arrived at well after the prioritisation process and following a great deal of investigation and consultation. Furthermore, one has to bear in mind the unco-ordinated system that was in place in the 1980s (as described earlier) when considering whether such a claim is justified.

So long as whoever is evaluating the bids has the strategic aims and objectives of the States in mind, it can be said it makes no difference what prioritisation process is used, or for that matter what group of individuals are involved. What, however, the Policy and Resources Committee has sought to develop over the past eight years, is the best and most equitable system incorporating the following factors -

(a) it is undertaken by those people who have most responsibility for dealing with such issues as part of the democratic process and who have an overall interest in resolving the problem;

(b) it removes the elements of emotion and subjectivity so that no sustainable claims of bias or vested interests can be made;

(c) it ensures that whoever is involved is focusing wholeheartedly on the strategic aims and objectives of the States and not to any other hidden agenda;

(d) it provides a logical basis and argument for the results achieved;

(e) it ensures that all projects are looked at together simultaneously and in accordance with a common understanding of the problems facing the States and the Island as a whole;

(f) it takes into account wherever possible the cost/benefit of proposals, and allows for cross referencing of the results to ensure a consistency of approach.

(g) it is transparent throughout.

The criticisms leveled at the Policy and Resources Committee over the years have generally been by those who are unaware of the changes the Committee has been steadily making to the prioritisation process to develop the best possible system. The Committee has had to take account of such comments as -

(a) the prioritisation process is undertaken by officers, and any evaluation must be subject to their individual opinions and perspectives which might well differ from those of the States;

(b) as (a) above, but that the make up of the Policy and Resources Committee might unwittingly influence matters in favour of other committees upon which the members of Policy and Resources sit;

(c) whilst decision conferencing was used, the workshop involved "junior" officers who were unlikely to understand the complex issues facing the States as a whole;

(d) the chief officers who took part were unable to divorce their thinking sufficiently from their own areas of responsibility and they therefore found it difficult to address cross-boundary corporate issues and reach consensus agreement on other areas.

Assessment of decision conferencing against other methods

It is the firm view of the Policy and Resources Committee that the use of decision conferencing in the prioritisation phase of developing resource allocation programmes is well justified and is the best system available as it satisfies the requirements outlined above. The Committee is also firmly of the opinion that decision conferencing should be political, despite the restriction in the participating group size at any workshop being limited to fifteen persons - one of the few disadvantages of the process. In offering this view, the Committee points out that it has investigated the application of decision conferencing elsewhere and has examined published reports on this and other prioritisation techniques. By way of example, the result of an investigation by the United Kingdom Audit Commission and CIPFA in a publication entitled “Regular as Clockwork” is attached as **Appendix 3**

How has decision conferencing performed to date

In reviewing how decision conferencing has performed, the Policy and Resources Committee has come to the conclusion that for capital, and also the law drafting, it more than adequately meets the requirements it has laid down for prioritizing competing claims for resources (as described above).

If decision conferencing can be said to have failed at all in Jersey, it is in the area of revenue expenditure. However, the failure of the revenue resource allocation approach used in 1997 was not due to the decision conferencing technique (as described in Appendix 1(b)). The principal reason was the difference in Jersey’s Governmental structure compared with elsewhere - Jersey having no “majority party” or “executive” to enforce adherence to guidelines and to ensure a consistent and corporate approach by departments and committees in seriously addressing the corporate problems facing the States in the revenue arena. Whilst the intention of the Policy and Resources and Finance and Economics Committees had been to use the process to test the historic distribution of revenue expenditure between committees by asking them to assess the effect of various resource scenarios on their services, this bottom up approach has so far proved impossible to implement.

The 1997 problems

If the review undertaken by the Policy and Resources Committee has concluded that the problems identified in the budget debate last year were not due to decision conferencing, then the Committee must look further in order to identify what reason, or combination of circumstances, can be blamed. Looking back at the debate, it is clear that there were elements of doubt as to how the “approval” of the resource programmes in the strategic debate effected the procedures of the House as laid down in the Public Finances Law - especially with regard to the bringing of amendments to these programmes.

Existing States procedures

The present situation for the approval of capital requests as laid down in the Public Finances (Administration) (Jersey) Law 1967 is as outlined below -

1. Article 15 - Estimates of committees

(1) Every committee shall send to the Finance and Economics Committee - not later than the 31st day of July in each year -

(i) an estimate of the capital expenditure and receipts, if any, for the next financial year;

(ii) an estimate of the anticipated capital expenditure and receipts, if any, for such number of years as the Finance and Economics Committee may in any year require.

2. Article 16 - Budget

(P1) In November/December of each year, the Finance and Economics Committee shall present to the States the budget which shall contain - an estimate of the transactions of the capital fund as recommended by the Committee for the next financial year setting out - capital expenditure, amounts provided for the exemption of loans, etc.

(P3) When taking the Budget into consideration, the States may - allow or disallow, wholly or in part, or increase - the amount of any item in the estimate of capital expenditure of any committee of the States - and substitute (approved alternatives).

(P4) No item in the estimates of capital expenditure in excess of £200,000 shall be considered during the Budget unless the States have previously debated the proposal to which the expenditure relates and the States voted in favour of the proposal at that time.

(P7) If, as a result of any decision taken during the consideration of the budget, it becomes necessary for the Finance and Economics Committee to make recommendations in connection with that decision, the Committee may require an adjournment of the States in order to prepare the necessary recommendations.

From 1991 to 1994 the Strategic Policy debate was held in June. However, in 1995 and 1996 it was moved to September to provide the Policy and Resources Committee with more time for its overall preparation - especially in terms of the development of strategy. Unfortunately, whilst September was once again the target in 1997, the Committee did not finalize its proposed policies on Population and Immigration and tackling Poverty/Social Deprivation until October. The debate finally took place in early November, just one month away from the Budget itself.

Up until last year, there has always been a significant period between the States being asked to approve the resource programmes in the strategic debate, and then subsequently vote the appropriate monies at the Budget. Furthermore, the strategic debate itself has usually taken place shortly after the final consultations to endorse the resource programme recommendations. It is clear that the main causes of the problems experienced last year were the due to -

(a) the lateness of the strategic debate in November;

(b) the long period of time that had elapsed from the finalization of the resource recommendations in May/June and their subsequent presentation to the States;

(c) in the relatively short period between the lodging of the Strategic Report “au Greffe” and its debate - committees and particularly private members were primarily involved in examining the important policy proposals made in the report, and there was therefore insufficient time to undertake the necessary research to ascertain whether they should bring forward amendments to the resource programmes;

(d) actual consideration of the resource programmes did not commence until the late afternoon - on a day when there had been a long and intense States debate on high level strategic issues;

(e) at the time of the Budget, confusion on whether the “approval” given to the capital programme in November could or should over-ride formal States procedures as set out in the Public Finances Law with regard to the alteration of any capital amounts by way of amendment.

Proposed solution

The Policy and Resources Committee, having examined the whole situation in detail, is satisfied that it has identified the causes of the problems identified by Senator Shenton in the report accompanying his proposition, and it has therefore changed its overall resource allocation process from this year to ensure that such a situation does not arise again in the future. The changes can be outlined as -

(1) separating out the resource programmes from the annual Strategic Report into a new report entitled the “States Resource Plan”;

(2) ensuring that the debate on the “States Resource Plan” takes place in June of each year, and that adequate States time is set aside to allow for a full and frank discussion of all the issues raised;

(3) in future years lodging the States Resource Plan “au Greffe” a minimum of three weeks prior to its debate to allow all concerned adequate time to consult and undertake research, and bring amendments if necessary;

(4) making all phases of the resource allocation procedures, especially the prioritisation process, as transparent as possible to ensure that all States members are aware of what is going on, and so that they have adequate opportunity and time to express their views to the Policy and Resources Committee prior to that Committee finalizing its recommendations. For example, States members will be invited to attend informal meetings with the Policy and Resources Committee prior to any recommendations being formalized and forwarded to the

States.

(5) recognizing that, although under the existing formal procedures of the States any States member is entitled to bring forward amendments at the time of the Budget, it is recommended that amendments should be brought at the time of the Resource Plan debate in June.

Whilst these measures will hopefully address the immediate problem, there is clearly also a need for the Finance and Economics Committee, in consultation with the Policy and Resources Committee, to examine the provisions of the Public Finances (Administration) Law 1967 to see if its provisions are still appropriate given the resource allocation procedures that are currently in place, and to recommend the removal of any areas that might be the cause of confusion. The latter review will take some time to undertake and therefore any legislative changes must be some way off. However, if the difficulties experienced in the Budget debate last year are to be avoided before then, the co-operation of members is requested to ensure that if any amendments are to be brought forward to change the suggested priority and inclusion/exclusion of projects, the most helpful way for the States as a whole will be for those amendments to be brought forward at the time of the States Resource Plan debate in June, rather then at the time of the Budget in December.

APPENDIX 1

Description of decision conferencing

Whoever coined the expression “decision conferencing” could not have chosen a worse expression to describe this problem-solving tool. The term is singularly inappropriate and is generally misleading because -

(a) the actual outcome of the process rarely constitutes a “decision” and

(b) there is no “conference” as that word is understood to mean.

A much better expression to use is “Resource prioritisation workshop”.

Decision conferencing is about helping organisations to resolve problems using a recognised technique based on formal decision theory and which is assisted in the presentation of results by the use of computer technology. Decision conferencing as applied in Jersey to date can be separated into two methods, one concerned with prioritizing discrete bids into a priority order representing the “order of best buy” and the other with examining the distribution of historic budgets by establishing the most beneficial way of utilizing revenue budgets at a pre-determined number of levels around the status quo. These methods are summarized below -

(a) Decision conferencing - capital/law drafting and IT/IS

All bids for resources are assessed by those participating against an agreed set of criteria and against each other to establish a set of benefit points that are also related to the overall costs of each project. A series of weights are agreed by the participants in respect of the overall criteria and the end result in an “Order of Buy” which suggests which order each bid should be funded in terms of “value per pound cost”.

(b) Decision conferencing - revenue expenditure

The traditional approach used in local authorities in the United Kingdom is where the service heads of departments/committees are asked to put forward their suggestions as to how they would alter their service delivery etc. to take best account of various resource reduction and resource addition scenarios (e.g. -5%, -10%, -15% and +5%, +10%). The decision conference then looks at the options put forward by each service head and compares them with the strategic objectives of the organisation to evaluate which is the best mix of budget to meet each possible scenario.

The next step, which is also often used by local authorities in the United Kingdom is for the results of each “committee/department” workshop to be put before a “consolidation” decision conference which evaluates the best mix of all the options to produce a suggested budget for the organisation which will best meet the agreed criteria. The process can also be used to decide on the best use of limited resources, and this form of process still has merit in the Jersey situation.

APPENDIX 2

Summary of resource allocation process - 1991 to date

(a) Capital expenditure

In January 1991, the Executive Officer of the Policy and Resources Committee and the Group Account of Budget Section of the States Treasury were tasked with coming forward with recommendations to the Policy and Resources Committee on how -

- a capital programme could be developed for the following year, to be agreed in principle by the States in its first "Strategic Policy Report"; and
- it could best decide on which more distant capital projects should be given planning votes in accordance with the new "P.70/90" procedures set up to control the planning of such projects.

The Committee agreed that no capital request could be looked at in isolation, and that all capital requests submitted by committees should involve an independent assessment of their relative priority, based on the needs of the people of the Island as a whole. A set of criteria were therefore agreed to allow for such an assessment, and a simple model was drawn up using a points system whereby the contribution of each project to each if the criteria was assessed. This assessment was undertaken in 1991 solely by the two officers concerned. Subsequently, each criterion was afforded a weighting and a prioritized list of capital projects emerged. Following consultation with committee presidents the 1992 Capital Programme was agreed. The political criticism of the process was that the "setting of priorities" had been handled by only two Officers.

In 1992, 1993 and 1994 the same basic procedure was followed, except that a greater number of Officers were involved in the assessment process. This fact continued to cause political comment.

In 1995 the Policy and Resources Committee agreed to a pilot study of a process that had been positively reported on in accountancy publications and was being used by some local authorities to assist them in setting priorities when agreeing budgets. This pilot study was undertaken by a participative group made up of those Officers responsible for drawing up their individual committee capital requests and used a set of criteria agreed by the Policy and Resources Committee which was based on economic, social and environmental objectives. The Committee expressed satisfaction with the initial result, but asked for a repeat of the exercise to test how different interpretations of the criteria and of different weightings might effect the outcome. The resilience of the process impressed the Committee and it subsequently used the recommendations of the decision conference workshop as the starting point for its discussions with committee presidents on the future capital programme and the identification of higher priority projects for the allocation of planning votes. The only criticism of the process used was that it had been undertaken by Officers.

Since 1995, the capital programme has been totally political. The capital decision workshop each year involves the presidents or political representatives of those committees submitting bids and makes recommendations on the order in which capital projects should be funded (in accordance with their relative strategic value measured in terms of benefit per pound spent). The recommendations coming from the workshop are used as the basis for further investigation and consultation, and whilst changes might be made to take account of political considerations, generally the initial priority assessment has been supported by the majority of States members.

(b) Law Drafting

The history of the development of Legislation Programmes since 1991 has broadly followed that outlined above in respect of capital expenditure. A points-scoring model involving officers was used until 1996, when the Policy and Resources Committee first introduced the concept of using decision conferencing to assess the relative importance of each law drafting request against the strategic aims and objectives of the States in a political forum.

The Policy and Resources Committee has in the last two years recommended the States to agree legislation programmes based on the outcome of the decision conferences, but amended to take into account the results of discussions and consultations with committees and individual States members etc. The political response has generally been extremely positive.

(c) Revenue expenditure

In 1992, the Finance and Economics Committee introduced the concept of a base budget for 1993 - essentially that for 1992 increased by a four per cent inflation figure. Committees were asked to review their services to work within their base budgets. Expenditure proposals over the base budget were then prioritised by officers of the Chief Adviser's Office, the Treasury, and States Personnel using a set of agreed "criteria". Recommendations on the sharing out of the "pool" of additional funds seen to be available for distribution to committees was based on this assessment and consultation with the committees concerned.

In 1993, the above process was repeated, but with total cash limits set for both 1994 and 1995. The prioritisation was again undertaken by officers using "criteria" and a point-scoring model to recommend the relative priority of claims for additional funding from the "pool" of funds available.

In 1994, there was increasing concern at the continued growth in public expenditure, and the apparent failure of the majority of committees to review their own services - thereby redistributing monies from low priority to high priority areas and reducing demands for additional revenue. In order to ensure that committees at least went some way in undertaking such internal reviews, it was decided to introduce a new approach in respect of the 1995 budgetary process. In summary, the idea was to reduce committee cash limits by five per cent, and then get them to "bid back" from the corporate "pool" of funds for those existing high priority services that would be adversely affected, and for new services. Once again, the prioritisation of "bids" was undertaken by officers - the final recommendations being made by the Finance and Economics Committee after consultation with the committees concerned. In support of the new approach it was proposed that there should be -

- a structured programme of committee service reviews;
- the setting up of an independent Audit Commission;
- support for committees in establishing their own audit committees.

In 1995, the States agreed a revised set of strategic aims and objectives for the Island. As a direct consequence, the Finance and Economics Committees agreed that the key to forecasting future resource demand and the allocation of resources was the development of a co-ordinated strategic and business planning framework throughout the States. However, the cash limits for 1996 were formulated using a similar methodology to that used in 1995, but this time the officers used criteria based on the importance and status of services when measured against the economic, social and environmental objectives of the States. The Policy and Resources Committee commented in its Strategic Report that if the States were ever to establish whether the present global distribution of revenue expenditure to committees was in line with the agreed States aims and objectives, the long term objective should be to require committees to prioritise all of their services and not just the lowest five or ten percent. 1995 was also the year in which decision conferencing was first piloted in Jersey in a revenue situation, in that the Education Committee used the process to assist in the development of its revenue budget by indicating how services of lower priority might be identified in order to allow for the adequate funding of higher priority services.

In 1996, the Policy and Resources Committee emphasized the key elements of its resource allocation strategy - the development and implementation of which closely linked the pursuit of the Island's strategic aims and objectives to the proper allocation of resources. The Finance and Economics Committee again used a cash limit process as the basis for its revenue budgetary policy for 1997, but the decision conferencing pilot study undertaken by the Education Committee in 1995 was expanded into those departments expressing an interest in the process. (The decision conferencing process used is outlined in Appendix 1 of this report). The departmental recommendations on revenue priorities produced either "manually" or by decision conferencing were brought together at a "Consolidation Workshop" involving all chief officers. Unfortunately this workshop, which had originally been planned to involve committee presidents, was not a success for a number of factors.

In 1997, in a further effort to establish whether the existing historic distribution of States revenue funds represented the best distribution bearing in mind the States strategic aims and objectives, all committees were required to use decision conferencing in order to identify in various set percentage scenarios -

- which low priority services could be removed or reduced with least impact to the customer in the event of less funds being made available;
- what represented best strategic value if additional funds were made available.

The Policy and Resources Committee drew up guidelines within which all departments and committees were asked to proceed. The main difference in 1997 was that every effort was made to involve politicians in the departmental/committee workshops, and that the consolidation at the end of the process to bring everything together involved committee presidents. Unfortunately, the process failed because of a number of reasons, but principally because there was a failure to comply with issued guidelines and there was no way that the discipline required by the process could be insisted upon.

APPENDIX 3

LONG-TERM RESOURCE PLANNING -
What other authorities do

In 1993, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the United Kingdom Audit Commission carried out a study of how local authorities in the United Kingdom targeted and controlled their use of resources. Their findings, published as *Regular as Clockwork*, identified five basic methodologies for targeting resources in use among the 20 authorities and bodies surveyed.

Their summary of good practice requirements is -

> Budgets will be better targeted if there is a proper match of resources to policies and will be easier to compile if more attention is paid to improving the mechanics of preparation. This is achieved by -
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> - improved policy planning;
> - strategy for the delivery of services;
> - the production of an annual business plan for each service or cost centre;
> - the use of a methodology for allocating resources in a reasoned and objective manner;
> - regular review of the base budget to identify resources that can be released and put to better use;
> - comprehensive guidance to budget holders on the compilation of budgets;
> - use of proformas and spreadsheets to facilitate production of estimates;
> - implementation of proper procedures to account for the revenue effects of commitments.
>
> They identified five alternative methodologies (the fourth bullet point above) in use for achieving a better targeted budget -
>
> - development and use of a long-term strategy to inform the annual budget setting process through a top-down approach;
> - zero-based budgeting which involves an authority in a complete reassessment and re-costing of its services on an annual basis;
> - core budgeting, a variant of zero-based budgeting, where weighting is given firstly to maintenance of the minimum level of service an authority is obliged statutorily to provide;
> - the use of cost-benefit analysis to rank spending priorities and to offer different budget options;
> - a critical but pragmatic assessment of spending to highlight resources which can be put to more productive use.

Pros and cons

The report on the study looks at the pros and cons of each of these methodologies - the first is relatively simple but requires a lot of ongoing effort and can result in the perpetuation of past spending patterns which have no relationship to present-day service requirements, the second (zero-based) is complicated and time-consuming and is likely to work well only where availability of resources is not a problem, core-budgeting can be equally labour intensive and time-consuming, and the last is described by CIPFA as the final alternative, requiring budget holders to trawl for under-utilised or unneeded allocations so that resources can be released for commitments that the authority has deemed to be of a higher priority.

The use of cost-benefit analysis - and in particular the use of decision conferencing (CIPFA unusually naming both ICL and the product) - is given three of the seven paragraphs in the section of the report on targeting resources. They say that the approach throws up options that might otherwise not be considered, causes members and chief officers to re-assess their priorities, can be done at any time in the year, with less use of staff resources than most of the other methodologies, and develops a cohesive budget which everyone could sign up to.

ICL Local Government Services have seen most of these above methodologies at authorities before the use of decision conferencing and they have indicated they are not aware of any other form of computerised cost-benefit analysis that is used in as comprehensive way as decision conferencing.